



Legal Services Advocacy Project
970 Raymond Avenue, Suite G-40
St. Paul, MN 55114

February 19, 2022

The Honorable Aisha Gomez
Chair, Taxes Committee
Minnesota House of Representatives
453 State Office Building
St. Paul, MN 55155

The Honorable Greg Davids
Republican Lead, Taxes Committee
Minnesota House of Representatives
283 State Office Building
St. Paul, MN 55155

Re: HF 1487 – Revenue Recapture Act Modification

Dear Chair Gomez, Lead Davids, and Members of the Taxes Committee:

Legal Aid writes in strong support for HF 1487, which would prevent non-government entities from using the state’s Revenue Recapture Act to collect medical debt. According to one recent survey, more than 745,000 (17%) of Minnesotans struggle with unpaid medical bills.¹ Further, the Department of Human Services indicates that about 300,000 Minnesotans lack health insurance.² Moreover, according to the Department of Health, racial disparities in health coverage have worsened among Minnesotans of color and American Indians, rising from 7.6% in 2019 to 10.2% in 2021.³ Low-income Minnesotans with medical debt face an even greater burden. They need affordable payment plans to pay those bills.

But nongovernment entities the bill identifies (i.e., nonpublic hospitals who lease their buildings from counties or cities and private ambulance services) have no incentive to negotiate reasonable, affordable repayment plans because they can use Minnesota’s Revenue Recapture Act (Chapter 270) to seize 100% of a low-income taxpayer’s tax return, including those containing Minnesota’s Working Family Tax Credit (WFC), the state’s corollary to the federal Earned Income Tax Credit (EITC).

According to research, “families mostly use the EITC [and the WFC] to pay for necessities, repair homes, maintain vehicles that are needed to commute to work, and in some cases, obtain additional education or training to boost their employability and earning power.”⁴

¹ Samuel Stebbins, *How Many People in Your State Are Burdened With Medical Debt?* 24/7 WALL STREET, Mar. 27, 2020; at <https://247wallst.com/special-report/2020/03/27/how-many-people-in-your-state-are-burdened-with-medical-debt/6/>.

² Minnesota Department of Human Services, *Making health care coverage more accessible and affordable*; https://mn.gov/dhs/assets/2022-03-health-care-affordable-ff-revised-final_tcm1053-518337.pdf.

³ Minnesota Department of Health, *Minnesota’s uninsured rate hit historic low in 2021 but racial disparities increased* (2022); <https://www.health.state.mn.us/news/pressrel/2022/uninsured042122.html>.

⁴ Center for Budget and Policy Priorities, *Policy Basics: The Earned Income Tax Credit* (2019); <https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit>.

Moreover, receipt of these type of tax credits have been shown to boost work and have been linked to better outcomes for children: improved school performance; greater college enrollment; and higher earnings as adults.⁵ And, not surprisingly, these credits “greatly reduce poverty for working families.”⁶

The Revenue Recapture Act has been expanded dramatically since its enactment in 1980, when only state agencies and “any public agency responsible for child support enforcement” could utilize its powers of collection.⁷ Districts courts were added in 1981 and regents in 1985.⁸ Other public obligations were added in subsequent years.⁹

In 1999, the Legislature crossed a dangerous and, in our view, inappropriate threshold, adding a non-public entity to the Revenue Recapture Act, and allowing such non-public entity to access the state’s tax capture collection authority and mechanism.¹⁰ And in 2003, private ambulance serviced were added.¹¹

While no one would argue that the services provided by those nongovernmental entities are very important to society, the problematic bootstrapping of any private service, however worthy, to a public debt recovery process outweighs any argument to allow nonpublic sector entities to utilize government apparatus to collect private debt.

The problem HF 1487 seeks to address is starkly illustrated by a client story from Heartland Community Action in Willmar. The client, who owed medical debt to a local provider and responsibly wanted to repay, sought to establish a payment plan they could afford. The provider rejected the offer and instead used the Revenue Recapture Act to seize 100% of the client’s tax refund, leaving them in an even more precarious financial circumstance than they were before.

Further, by allowing these nongovernmental entities to bypass the collection mechanisms that every other nongovernmental entity must follow, recipients of the WFC and other Minnesota tax credits and refunds strips them of consumer protections they would otherwise have under law. For example, section 550.37 of Minnesota Statutes rightfully provides exemptions for low-income taxpayers from seizure of funds through wage or bank garnishments.

⁵ Chuck Marr, Chye-Ching Huang, Arloc Sherman, and Brandon Debot, Center for Budget and Policy Priorities, *EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children’s Development, Research Finds*

⁶ *Id.*

⁷ 1980 Minn. Laws, ch. XII.

⁸ 1981 Minn. Laws, First Sp. Sess., ch. 2, sec. 20 (adding district courts); 1985 Minn. Laws, sec. 2 (adding regents).

⁹ 1987 Minn. Laws, ch. 261, sec. 1 (adding court-ordered criminal restitution); 1988 Minn. Laws, ch. 638, sec. 1 (expanding application to any court-ordered restitution); 1990 Minn. Laws, ch. 480, art 10, sec. 2 (municipal hospitals and hospital districts); 1994 Minn. Laws, ch. 614, sec. 2 (adding public agencies administering low-income housing programs); 1996 Minn. Laws, ch. 471, art. 13, sec. 10 (adding public libraries); and 2000 Minn. Laws, ch. 490, art. 13, sec. 9 (adding municipal ambulance services);

¹⁰ 1999 Minn. Laws, ch. 243, art. 16, sec. 8 (adding private nonprofit hospitals that lease their facility from a county).

¹¹ 2003 Minn. Laws, First Sp. Sess., ch. 21, art. 11, sec. 7. (Technically, but not substantively amended in 2011, with identical language enacted in two bills. See 2011 Minn. Laws, ch. 71, sec. 1. and 2011 Minn. Laws, ch. 112, art. 11, sec. 5.)

Medical debt generally is a serious problem for Minnesotans, as the extraordinary number of consumers struggling with it attests. While HF 1487 would improve the situation as it pertains to private entities, more work needs to be done to assist Minnesotans to be able repay their medical debt without it placing them at risk of losing their homes, adding physical and mental stress to their lives, impeding their ability to meet other basic needs, and financially care for their children and families.

We believe all entities to whom medical debt is owed – whether public or private – should be required to, in good faith, negotiate repayment agreements with consumers that are affordable and take into consideration the consumer’s financial condition and any other extenuating circumstances.

Thank you for allowing Legal Aid to submit this letter of support for HF 1487. We urge its passage.

Sincerely,

A handwritten signature in cursive script that reads "Ron Elwood".

Ron Elwood
Supervising Attorney

Cc: The Honorable Liz Reyer, author, HF 1487